Seattle City Employees' Retirement System

2012 Portfolio Performance Report

Government Performance & Finance Committee
March 20, 2013

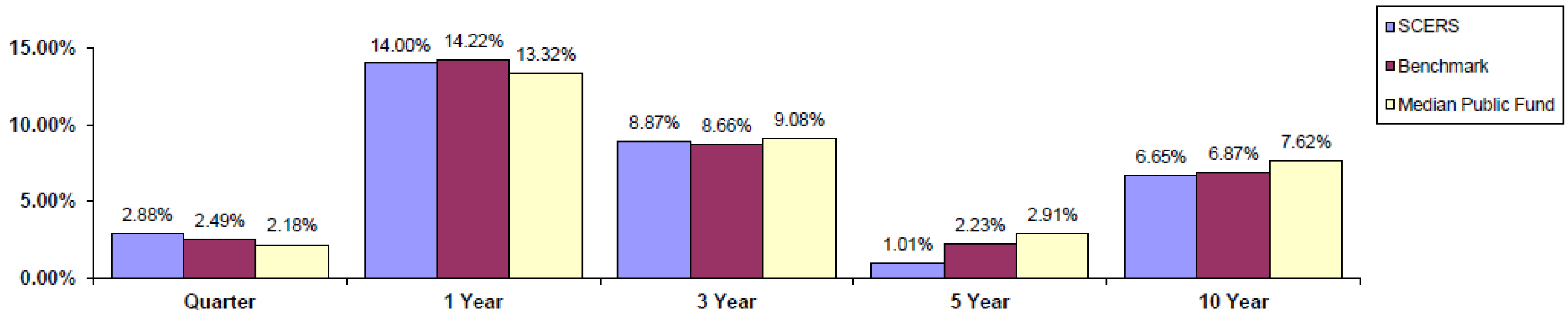
Q4-2012

Performance vs. Policy Benchmark[1]

		Annualized Return			
	Quarter	1 Year	3 Year	5 Year	10 Year
Total Portfolio	2.88	14.00	8.87	1.01	6.65
Policy Benchmark	*2.49*	*14.22*	*8.66*	*2.23*	*6.87*
Excess Return	**0.39**	**-0.22**	**0.21**	**-1.22**	**-0.22**

Performance vs. Median Public Fund[2]

		Annualized Return			
	Quarter	1 Year	3 Year	5 Year	10 Year
Total Portfolio	2.88	14.00	8.87	1.01	6.65
Median Public Fund	*2.18*	*13.32*	*9.08*	*2.91*	*7.62*
Excess Return	**0.70**	**0.68**	**-0.21**	**-1.90**	**-0.97**

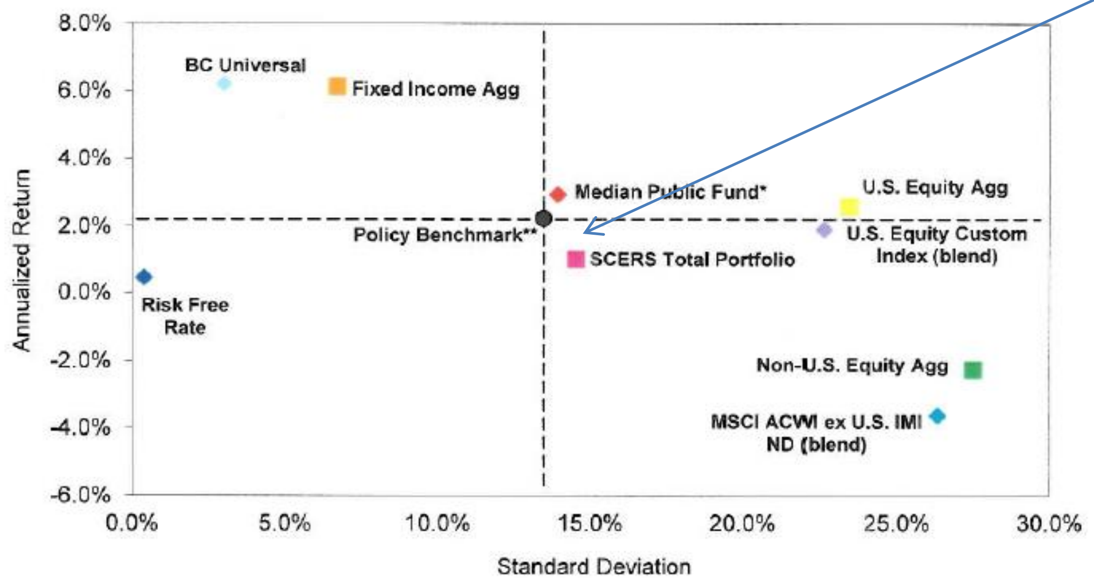


[1] Policy benchmark consists of 31% R3000, 27% MSCI EAFE ND, 20% BC Universal, 5% CPI+3%, 5% R3000+3% (qtr lagged), 12% NCREIF ODCE (qtr lagged) 1/1/2012-10/31/2012; 25% R3000, 6% CBOE BXM, 27% MSCI EAFE ND, 20% BC Universal, 5% CPI+3%, 5% R3000+3% (qtr lagged), 12% NCREIF ODCE (qtr lagged) 11/1/2012-11/30/2012 to reflect the funding of the new Covered Calls manager in November 2012; 25% R3000, 6% CBOE BXM, 27% MSCI ACWI ex US IMI ND, 20% BC Universal, 5% CPI+3%, 5% R3000+3% (qtr lagged), 12% NCREIF ODCE (qtr lagged) 12/1/2012-12/31/2012 to reflect the funding of the new Emerging Markets manager in December 2012. See Appendix for historical policy benchmark composition.

[2] Median Fund is the BNY Mellon Total Public Funds Universe greater than $1 Billion.

SCERS Total Portfolio Risk/ Return Analysis – Latest 5 Years
Period ending December 31, 2012

SCERS



* Median Fund is the BNY Mellon Total Public Funds Universe greater than $1 Billion
**The blended Policy Benchmark reflects past decisions of risk tolerance.

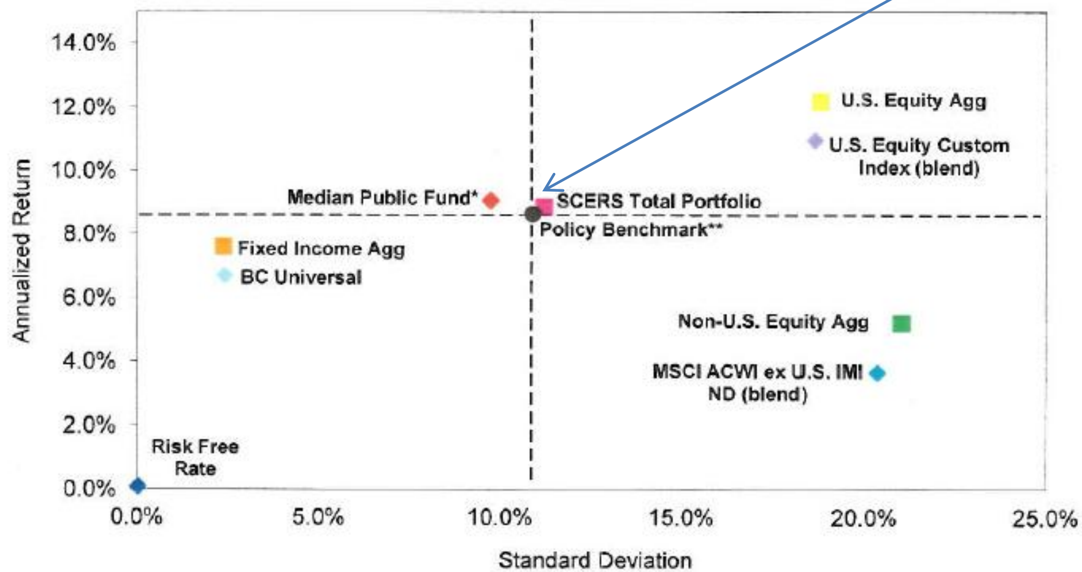
Five-Year Annualized Return vs. Risk

	Annualized Return, %	Actual Annualized StdDev, %	Expected Annualized StdDev, %*
SCERS Total Portfolio	1.01	14.53	12.3
Policy Benchmark	2.23	13.48	11.5
Median Public Fund >$1B	2.91	13.94	---

* Expected total risk is a combination of expected policy risk plus active risk. Policy risk is determined from a combination of policy mix and capital market assumptions at the beginning of the period and any subsequent changes. Expected active risk utilizes actual active risk from five years prior to beginning of period. Calculated annually.

SCERS Total Portfolio Risk/ Return Analysis – Latest 3 Years
Period ending December 31, 2012

SCERS



* Median Fund is the BNY Mellon Total Public Funds Universe greater than $1 Billion
**The blended Policy Benchmark reflects past decisions of risk tolerance.

Three-Year Annualized Return vs. Risk

	Annualized Return, %	Actual Annualized StdDev, %	Expected Annualized StdDev, %*
SCERS Total Portfolio	8.87	11.21	12.8
Policy Benchmark	8.66	10.90	11.9
Median Public Fund >$1B	9.08	9.74	---

* Expected total risk is a combination of expected policy risk plus active risk. Policy risk is determined from a combination of policy mix and capital market assumptions at the beginning of the period and any subsequent changes. Expected active risk utilizes actual active risk from five years prior to beginning of period. Calculated annually.

PERFORMANCE ATTRIBUTION – SCERS TOTAL PORTFOLIO VS. POLICY BENCHMARK

Performance Attribution - 4Q 2012

	Policy Benchmark		SCERS Portfolio		Impact on Return			
	Average Allocation*	Return	Average Allocation	Return	Weighting	Selection	Interaction	Total
U.S.Equity	31.0%	(0.5)	30.1%	0.2	0.0	0.2	(0.0)	0.2
Non-U.S. Equity	27.0%	6.9	27.6%	7.5	0.0	0.2	0.0	0.2
U.S. Fixed Income	20.0%	0.6	20.5%	1.0	(0.0)	0.1	0.0	0.1
Real Return	5.0%	0.0	7.0%	1.8	(0.0)	0.1	0.0	0.1
Private Equity	5.0%	7.0	2.9%	3.3	(0.1)	(0.2)	0.1	(0.2)
Real Estate	12.0%	2.8	11.5%	3.2	(0.0)	0.0	(0.0)	0.0
Cash	0.0%	0.0	0.4%	0.2	(0.0)	0.0	0.0	(0.0)
Total	100.0%	2.5	100.0%	2.9	(0.1)	0.4	0.1	0.4

Performance Attribution - Trailing 12-month

	Policy Benchmark		SCERS Portfolio		Impact on Return			
	Average Allocation*	Return	Average Allocation	Return	Weighting	Selection	Interaction	Total
U.S. Equity	31.0%	15.6	31.6%	15.9	(0.1)	0.1	(0.0)	(0.1)
Non-U.S. Equity	27.0%	17.7	25.8%	18.5	0.1	0.2	(0.0)	0.3
U.S. Fixed Income	20.0%	5.5	20.5%	9.0	(0.1)	0.7	0.0	0.6
Real Return	5.0%	4.8	7.2%	4.9	(0.2)	(0.0)	0.0	(0.2)
Private Equity	5.0%	34.0	3.0%	19.4	(0.3)	(0.7)	0.3	(0.8)
Real Estate	12.0%	11.6	11.4%	14.6	(0.0)	0.3	(0.0)	0.3
Cash	0.0%	0.1	0.5%	1.1	(0.4)	0.0	0.0	(0.4)
Total	100.0%	14.2	100.0%	14.0	(1.0)	0.6	0.2	(0.1)

*Policy Benchmark allocation utilizes the evolving policy target allocation effective January 2012. The 2012 policy target includes a 6% allocation to Covered Calls (CBOE BXM). Until November 2012, when the Covered Calls mandate was funded, its 6% target allocation was included in the traditional U.S. Equity (Russell 3000) target.

Note: Differences due to compounding effects.
Asset class allocations and returns for the SCERS Portfolio include funds from the Workout Portfolio.
-Fixed Income includes: In-House Fixed Income, PIMCO Liquidating, and SCERS Transition Assets.
-Real Return includes: BlackRock Alpha Engine, BlackRock Global Restructuring, Coast, and Epsilon.
-Real Estate includes: BlackRock Carbon Capital II, Capri Select Income Fund II, Hearthstone, JP Morgan Alternative Property Fund, PCCP (formerly Lehman), and RREEF West VI.

PERFORMANCE ATTRIBUTION – SCERS TOTAL PORTFOLIO VS. MEDIAN PUBLIC FUND

Performance Attribution - 4Q 2012

	Median Public Fund*		SCERS Portfolio		Impact on Return			
	Average Allocation	Return	Average Allocation	Return	Weighting	Selection	Interaction	Total
U.S. Equity	27.2%	0.7	30.1%	0.2	(0.0)	(0.1)	(0.0)	(0.2)
Non-U.S. Equity	19.4%	6.0	27.6%	7.5	0.3	0.3	0.1	0.7
U.S. Fixed Income	27.5%	0.8	20.5%	1.0	0.1	0.1	(0.0)	0.1
Real Return**	10.8%	1.4	7.0%	1.8	0.0	0.0	(0.0)	0.1
Private Equity**	7.2%	4.5	2.9%	3.3	(0.1)	(0.1)	0.1	(0.1)
Real Estate	5.9%	2.6	11.5%	3.2	0.0	0.0	0.0	0.1
Cash	2.1%	0.0	0.4%	0.2	0.0	0.0	(0.0)	0.0
	100.0%	2.2	100.0%	2.9	0.4	0.2	0.2	0.7

Performance Attribution - Trailing 12-month

	Median Public Fund*		SCERS Portfolio		Impact on Return			
	Average Allocation	Return	Average Allocation	Return	Weighting	Selection	Interaction	Total
U.S. Equity	30.5%	16.5	31.6%	15.9	(0.4)	(0.1)	(0.1)	(0.6)
Non-U.S. Equity	18.0%	19.0	25.8%	18.5	0.4	(0.0)	(0.0)	0.3
U.S. Fixed Income	28.5%	7.4	20.5%	9.0	0.3	0.4	(0.1)	0.5
Real Return**	8.8%	4.8	7.2%	4.9	0.1	0.0	(0.0)	0.1
Private Equity**	5.9%	13.3	3.0%	19.4	(0.2)	0.1	0.1	0.0
Real Estate	6.3%	12.4	11.4%	14.6	(0.2)	0.3	0.2	0.3
Cash	2.0%	0.1	0.5%	1.1	(0.1)	0.0	(0.0)	(0.1)
	100.0%	13.3	100.0%	14.0	(0.2)	0.6	0.1	0.6

*Median Fund is the Mellon Total Public Funds Universe greater than $1 Billion.
**A breakout of the Median Fund's Alternative Investments allocation is unavailable and a 60/40 ratio to Real Return/Private Equity is assumed.

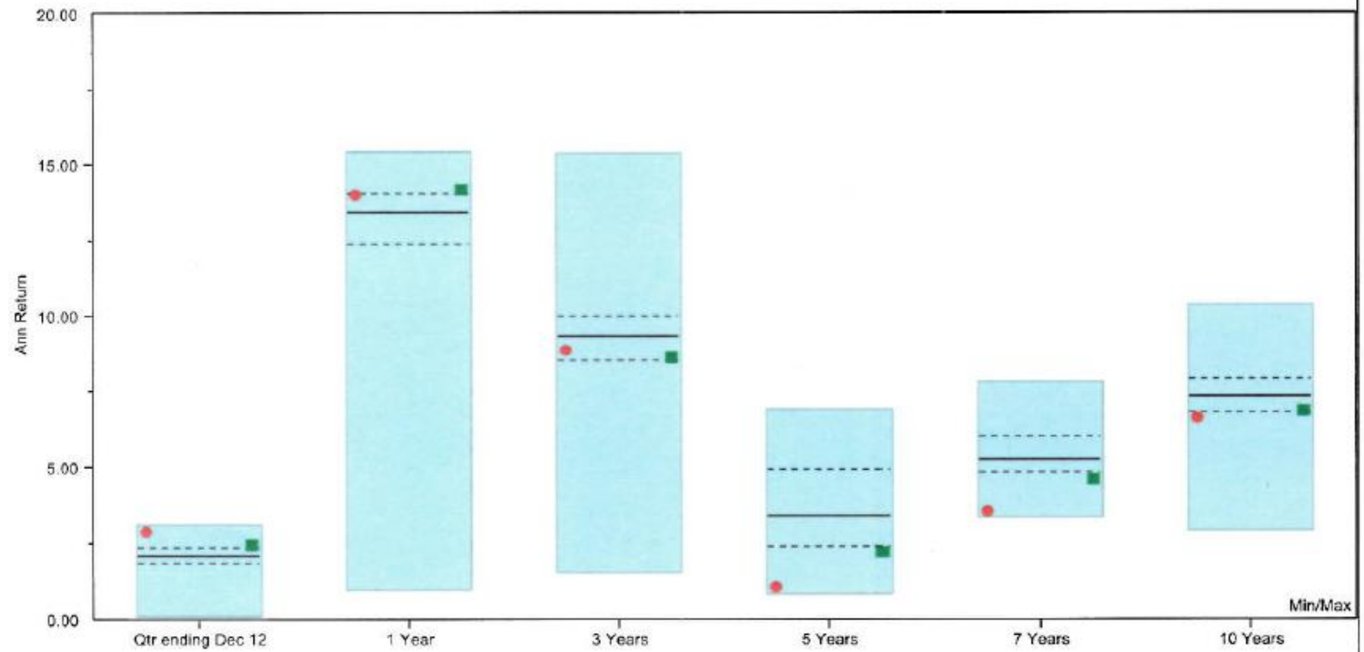
Note: Differences due to compounding effects.
Asset class allocations and returns for the SCERS Portfolio include funds from the Workout Portfolio.
-Fixed Income includes: In-House Fixed Income, PIMCO Liquidating, and SCERS Transition Assets.
-Real Return includes: BlackRock Alpha Engine, BlackRock Global Restructuring, Coast, and Epsilon.
-Real Estate includes: BlackRock Carbon Capital II, Capri Select Income Fund II, Hearthstone, JP Morgan Alternative Property Fund, PCCP (formerly Lehman), and RREEF West VI.

Seattle City Employees' Retirement System

Total Public 1B to 5B (USD) - Quarterly

As of December 31, 2012

Performance Comparisons



	Qtr ending Dec 12			1 Year			3 Years			5 Years			7 Years			10 Years		
	Value	**%Tile**	**Rank**	**Value**	**%Tile**	**Rank**	**Value**	**%Tile**	**Rank**	**Value**	**%Tile**	**Rank**	**Value**	**%Tile**	**Rank**	**Value**	**%Tile**	**Rank**
Maximum	3.14			15.45			15.41			6.94			7.85			10.42		
25th Percentile	2.39			14.06			10.04			4.93			6.05			7.95		
Median Percentile	2.11			13.42			9.37			3.44			5.27			7.35		
75th Percentile	1.83			12.40			8.54			2.42			4.83			6.86		
Minimum	0.11			0.94			1.51			0.81			3.39			2.96		
# of Portfolios	28			28			27			27			26			25		
● **Total Fund**	2.88	7	2	14.00	29	9	8.86	61	17	1.02	96	27	3.57	94	26	6.66	81	22
■ **Policy Benchmark**	2.49	23	7	14.22	21	6	8.66	64	18	2.23	79	22	4.61	77	21	6.88	75	20

Universe Source: Client Defined

Notes:

Performance and related statistics calculated using Mellon's Workbench E-Chart

All performance is shown **gross of fees**; returns are annualized

SCERS Portfolio & Funding -- 2012 Year End

Portfolio Value
$1,953 b

Funding Ratio
64.73%

****

January 2013

Portfolio Value
$2,088 b

Funding Ratio
66.25%

unaudited numbers for demonstrative purposes only

SCERS Demographics -- Retirement Savings Patterns

A typical pay period
PPE February 26, 2013

<u>SCERS Members</u>

- 8,106 city employees contribute to the SCERS Plan
  - •Employees contribute at a rate of 10.03%
  - •Employer contributes at a rate of 12.89%
    - •Combined cumulative average contribution is approx $5.3 million / pay period

<u>Deferred Comp Savers As Well</u>

- 3,458 SCERS members also contribute to City of Seattle Voluntary Deferred Compensation Plan

43% of SCERS members also save through our Deferred Comp Plan

$857,000 in DC savings contributions

unaudited numbers for demonstrative purposes only